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Robert E. Spurlin
Commissioner

April 21, 2003

PARTIES OF RECORD:

RE: Case No. 2003-00045
Petition of BellSouth Telecommunications, Inc.
Seeking Resolution of Third Party Transit Traffic Issues
Informal Conference of March 26, 2003

Attached please find a memorandum that has been filed in the record of the above-referenced case. Any comments regarding this memorandum's contents should be submitted to the Commission within five (5) days of receipt of this letter. Any questions regarding this memorandum should be directed to Amy Dougherty at 502-564-3940, extension 257.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Dorman", with a long horizontal line extending to the right.

Thomas M. Dorman
Executive Director

/AED/rst
Attachments
cc: File



INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File
2003-00045

FROM: Amy Dougherty
Jeff Johnson

DATE: April 21, 2003

RE: Petition of BellSouth Telecommunications, Inc. Seeking
Resolution of Third Party Transit Traffic Issues

On March 26, 2003, those persons whose names appear on the attached sign-in sheet met to discuss BellSouth's petition seeking resolution of third party transit traffic issues. Doug Lackey, attorney for BellSouth, presented the outcome which BellSouth sought. Attached is a memo containing BellSouth's "talking points" for his presentation.

Telecommunications carriers' networks are interconnected and handle both direct and indirect traffic. Furthermore, as a network provider, BellSouth handles traffic which originates and terminates on other carrier's networks. CMRS carriers currently generate a large portion of this transit traffic. BellSouth asserts that it is now in the middle of inter-carrier compensation issues. When CMRS carriers first appeared, BellSouth treated these calls as regular toll calls, placed the traffic on the Kentucky Revised Settlement Plan (KRSP) network trunk and paid terminating access. This was done because CMRS communications was a nascent industry.

Feature group E traffic was the name of the CMRS terminating access traffic. The FCC prohibited cellulars from being treated like wireline carriers, as their local calling areas failed to coincide with the ILEC's service territory boundaries. Industry practice chose to bill CMRS carriers similar to end-users through the CRIS billing system, which fails to generate a billing record.

BellSouth then decided to utilize an in-place network with an established per-minute termination charge – KRSP trunks – to deliver the calls to the independent companies (ICO) network. The ICOs could not segregate the traffic involved, and simply billed BellSouth the termination charges applicable for the appropriate minutes of use. Thus, BellSouth paid for the terminating traffic and the CMRS carriers were billed by BellSouth through a previously agreed upon monthly settlement amount. According to BellSouth, there is no way to know whether it had collected appropriate amounts from the CMRS carriers.

In support of its position, BellSouth quoted the FCC's First Report and Order, FCC 96-325, ¶ 1043 (Order adopted August 1, 1996.) and TRS Wireless v. SBC.

Today, CLECs and some CMRS carriers utilize meet-point billing through the Carrier Access Billing System (CABS) and are sent correct billing information. Sprint PCS wanted to go to meet-point billing so that better billing records would be made. BellSouth has started sending EMI 110101 records to the ICOs to bill the CMRS providers who do meet-point billing.

According to BellSouth, it is undisputed that the CMRS providers owe the ICO's a fee for terminating calls, yet the proper rate is in dispute. BellSouth raised the termination issue three years ago and unsuccessfully pressured the CMRS providers to deal directly with the ICOs.

As a communications carrier, BellSouth is willing to provide the transiting function, i.e., indirect interconnection, but it and the CMRS carriers object to paying ICO terminating access charges. CMRS providers place intra-MTA calls and argue that terminating ICOs may only charge terminating reciprocal compensation for these calls rather than access charges. BellSouth is paying terminating access rates and receiving only reciprocal compensation rates. Terminating access charges range from 1.5 cents a minute to 13 cents a minute. The average is 6 or 7 cents per minute whereas the reciprocal compensation rate is less than .5 cents per minute.

The ICOs responded to BellSouth's reply to their emergency petition by noting that BellSouth understands that the alteration of the KRSP requires PSC approval. However, according to BellSouth the KRSP only applies to intra-LATA toll traffic.

According to the ICO's, the network used by BellSouth is the same for toll traffic and for CMRS traffic. The KRSP network was developed to carry intraLATA toll traffic by mutual agreement between the ICOs, BellSouth and the Commission. The ICOs assert that BellSouth decided to handle both toll and CMRS traffic on the KRSP without consulting other parties to the agreement. The KRSP represents the only agreement between the ICOs and BellSouth. Many CMRS carriers have traffic carried by IXCs as a means to efficiently handle the traffic and the ICO's asked how these carriers segregate their traffic.

Bill McGruder of Duo County Telephone Cooperative continued with the presentation of the ICO's position. He stated that BellSouth's petition creates two situations for the Public Service Commission.

- 1) BellSouth has given notice to terminate the contractual arrangements of the KRSP. It handles intra-LATA toll traffic exchange for all traffic between these carriers. BellSouth's petition does not address how this notice of termination of the contractual arrangement will effect customers. If the PSC determines that the KRSP should be eliminated or modified, then Duo wants the customer notice to be given and

customers to be given an opportunity to pick another intraLATA toll provider or default to their interLATA toll provider. If this occurs, BellSouth must order access.

2) The rural ICOs received settlements based on national averages. In 1991 the intraLATA toll competition order created the KRSP as a means to exchange this intraLATA traffic. The exchange is based on access tariffs and toll settlement documents. This interconnection traffic was all that was authorized to be exchanged on these dedicated trunks groups created under the KRSP.

According to the ICOs, they were not a party to the negotiated CMRS contracts, but BellSouth used the KRSP facility and process to terminate CMRS traffic. BellSouth has continued in this arrangement for years. The ICOs do not know who generates the traffic that is coming into their networks on these common trunks that are maintained pursuant to the KRSP. However, they ask for compensation at the mandated KRSP termination rates.

BellSouth has now decided that third party traffic should be handled differently. BellSouth still has not provided information on the scope of the traffic involvement to the ICOs. And the ICOs do not know how big the problem is, who is affected, and who is involved in the current trunk groups.

According to Bill McGruder, these obligations established by BellSouth were created in light of the requesting carrier and were not done at the request of third parties.

The ICOs' proposal is that CMRS companies be given two options for interconnection. They could;

i) negotiate direct interconnection rates with each ICO for terminating traffic, or

ii) agree to an average ICO termination rate, terminate traffic on BellSouth's network, and pay BellSouth directly. BellSouth would then settle-up with the ICOs at an agreed to rate.

ICO's contend that the common trunk groups established pursuant to the KRSP were intended for the interchange of all traffic between BellSouth and the ICO's. What exactly BellSouth has sought to terminate in its notice and how that affects the KRSP is uncertain.

According to annex 18 to the basic agreement executed January 23, 1992, this applied to intraLATA toll traffic. It is estimated that there is a total of \$300,000 per month of traffic for the CABS carriers over these common trunks. Bill McGruder contended that the real issue is one of meet-point billing and whether there are two carriers or three carriers affected.

Next the CMRS carriers gave their opinions. According to Sprint PCS, 47 U.S.C. § 251(b)(5) would indicate that the ICOs should have contacted the CMRS providers to establish direct arrangements. Sprint PCS then wondered why the ICO's proposal was different from BellSouth's action. A question was asked by Leon Bloomfield of Verizon Wireless to the ICO's: Did they send their originating traffic over the same trunk lines?

Kyle Willard of the Commission Staff then asked about meet-point billing arrangements. Were these, according to the carriers, a demarcation issue with a means to go to bill and keep? There is still aggregated traffic on the terminating end.

Verizon Wireless continued by saying that the rural carriers were not exempt from 47 U.S.C. § 251(b)(5) but were exempt from § 251(c). Did this mean then that the CMRS carriers would have to go through two proceedings at the Commission? Should rates be cost-based? There were disagreements about these issues. Verizon Wireless indicated it may file a petition to look at some of these issues in one proceeding rather than with each ICO.

Kyle Willard then discussed the difference between transportation and termination and transportation or termination. Usually transportation and termination are provided together. There is a co-mingling of traffic and costs.

Duo County's access charges are three cents a minute plus their NTS (non-traffic sensitive) charges. According to Bill McGruder of Duo County, the ICO's have two objections. The first is that they can discontinue the arrangements per BellSouth's request but then they cannot identify the CMRS traffic. The second is that they are not sure what their arrangement for exchange of intraLATA toll traffic with BellSouth would be since the KRSP contract is terminated. No audit mechanisms have been employed. We then discussed blocking of certain traffic and its feasibility.

BellSouth was asked what type of traffic was carried on the common trunks established by the KRSP. BellSouth indicated the traffic was: a) InterLATA toll traffic, which is BellSouth's and small IXC's traffic, b) CMRS traffic, c) CLEC traffic through interconnection with BellSouth and not with the ICO's, d) incidental toll traffic with IXCs through interconnection agreements with BellSouth and not with the ICOs, and e) ICO to ICO traffic.

According to BellSouth, the difficulties arise concerning the reciprocal compensation payments associated with CMRS traffic and the CLEC traffic carried over these common KRSP trunks.

Cingular Wireless discussed the exchange of traffic with Brandenburg, Highland and ALLTEL. It does not want BellSouth to be in the middle transiting the traffic. Obstacles to this are that access charges are then assessed for transited traffic and ILECs do not pay terminating rates to CMRS for originated traffic. Cingular Wireless indicated that it eventually wants to get agreements with all carriers but is concerned with the time frame involved. According to Cingular Wireless, meet-point billing in this

context is a billing issue only. Cingular Wireless indicated that the views it presented were common to all CMRS carriers.

BellSouth sought to clarify issues raised regarding CLEC traffic by indicating that it was not a settlement process per se but a meet-point billing process which utilized CABS billing.

According to Sprint PCS, it established a meet-point billing arrangements with BellSouth and expected other ILECs to contact the CMRS carriers to establish independent relationships. Sprint PCS indicated that this had not been a reality, however. The question was raised about how extended area service (EAS) traffic would be affected.

The Independent Telephone Group through John Selent raised the following issues: 1) the pendency of the emergency petition; 2) termination as it relates to the entire KRSP contract instead of some unspecified portion; 3) whether Staff thinks it would be appropriate to discuss the ITG proposal; and 4) the ITG wanted to issue a data request regarding issues such as exactly what traffic was being transported over the common trunk group established for the KRSP. In order to accomplish this data request, the ITG may ask that the procedural schedule be adjusted.

According to BellSouth, the view of the Independent Telephone Group is that there should be separate traffic and then bills rendered. The EMI 110101 records are only retained by BellSouth for six months. BellSouth wants true-ups and refunds if necessary.

The question was raised concerning who in Kentucky has meet-point arrangements with BellSouth and the response was, at this time, Sprint PCS and Cingular Wireless. Staff requested that BellSouth break down the minutes of use over its common trunks, or intraLATA toll trunks, and provide a count of the traffic. It was agreed that items requested would be submitted by April 1, including additional data requests, if necessary.

/rst
Attachments
cc: File

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF BELL SOUTH)	
TELECOMMUNICATIONS, INC.)	CASE NO.
SEEKING RESOLUTION OF THIRD)	2003-00045
PARTY TRANSIT TRAFFIC ISSUES)	

INFORMAL CONFERENCE

March 26, 2003

PLEASE SIGN IN:

<u>NAME</u>	<u>REPRESENTS</u>
<u>Angie Dougherty</u>	<u>PSC</u>
<u>Larry Nalley</u>	<u>PSC</u>
<u>Jimi Stevens</u>	<u>PSC</u>
<u>Hyle Withard</u>	<u>PSC-Engineering</u>
<u>Jeff Johnson</u>	<u>PSC</u>
<u>John Russell</u>	<u>BellSouth</u>
<u>Randy Ham</u>	<u>BellSouth</u>
<u>Parkey Jordan</u>	<u>BellSouth</u>
<u>Suzie Lavett</u>	<u>BellSouth</u>
<u>Doug Luckey</u>	<u>BellSouth</u>

PAGE 2

PLEASE SIGN IN:

NAME

REPRESENTS

Dorothy Chambers

Bell South

Quint McIntire

AT&T Wireless

Bill Brown

Cingular Wireless

Gary Sanchez

Cingular Wireless

Joan Coleman

BellSouth

Katherine Yunker

Nextel South

Via
phone Laura Gallagher

" "

Eric Bowman

PSC Engineering

Elaine Crittids

Verizon Wireless - Regulatory

Marc Sterling

Verizon Wireless

Russ Cave

ATT

Stacy Biggs

Logan Telephone Co-op

Johnny McClanahan

North Central Tel Coop

Janice Chittenden

Ballard Telephone

PAGE 3

PLEASE SIGN IN:

NAME

Harlan Parker

Jim Stites

Randy Hogan

Billy Coleman

Forest Skaggs

Via phone CARROLL WALLACE

Via phone HENRY WALKER

TONY TAYLOR

ELLEN JONES

Donnie Bennett

Randall Bradley

DARYL WYNTO

William Briggsby

Jeff Hendley

Tim Ringham
Louise Kelly

REPRESENTS

Ballard Telephone

West Ky Telephone

Ballard Telephone Cooperative

Coalfields Telephone Co.

Ky Telephone Assn.

ATT-South East State TCG

"

Bell South

Bell South

South Central RTC

Brandenburg Telephone Co.

South Central RTC

Thacker-Grigsby Telephone Co., Inc.

TDS-Telecom

Peoples Rural Tel. Corp.
Footbills Telephone

Shayne Ison

Angele Pennington

Steve Byas

Joe Chiarelli

Monica Barone

Bill Atkinson

Jack Shyler

John Selent

Bill Magruder

Steve Watkins

Steve Krushin

Steve Mowery

Leon Bloomfield

Loretta Cecil

Dan Leary

Via
phone

Mountain Telephone

Mountain Telephone

ACCTEC

Sprint Spectrum - Sprint PCS

Sprint PCS

Sprint PCS

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Independent Tele. Group

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ALLTEL

ATC KY

ATT Broadband

T-Mobile

THIRD PARTY TRANSIT TRAFFIC
BellSouth Talking Points
CASE NO. 2003-0045
MARCH 20, 2003

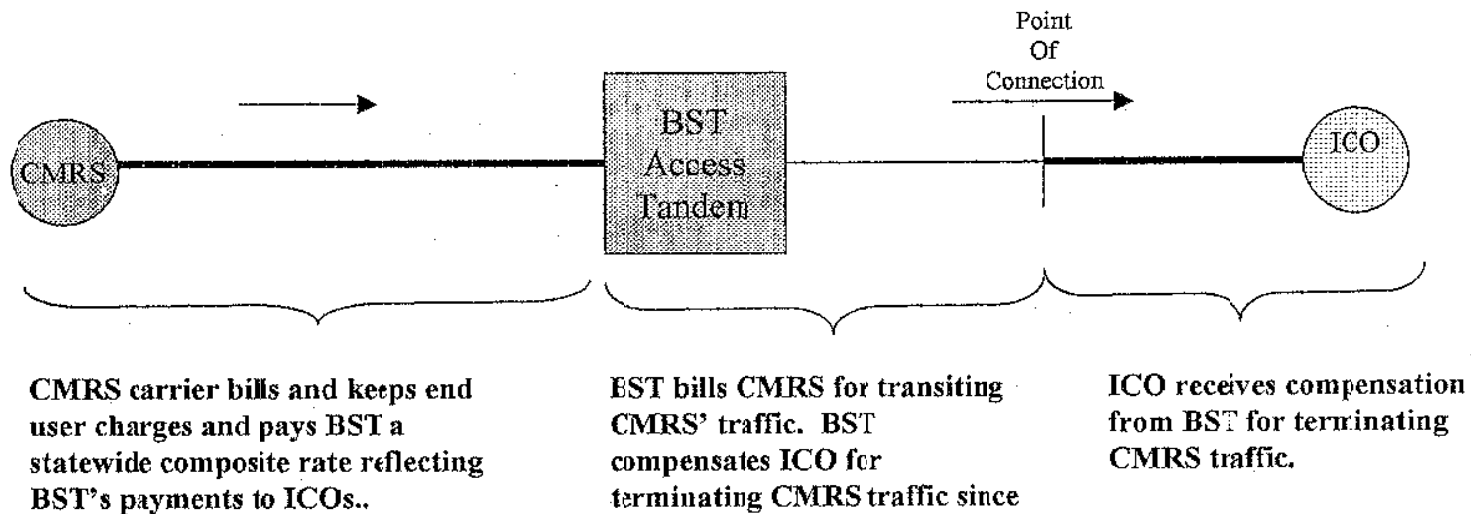
1. BellSouth is seeking to find a resolution to a problem that comports with the law and provides all of the parties involved in this proceeding with everything they are entitled to receive. The outcome that BellSouth seeks is to have Independent Telephone Companies (ICOs), collect directly from Commercial Mobile Radio Service (CMRS) providers, appropriate compensation for the terminating service they provide to the CMRS providers.
2. This situation has occurred because BellSouth has a legal obligation, as do all local exchange carriers, to interconnect its network with the networks of any other telecommunications carrier who requests such interconnection. This includes not only the ICOs, but also CMRS providers. Because of this, it has been possible for CMRS providers, and Competitive Local Exchange Carriers (CLECs) to send traffic to ICOs that transit BellSouth's network.
3. In the past, BellSouth has not been able to send the ICOs industry standard billing records the ICOs could use to bill the CMRS providers for this service. This situation existed because the FCC determined that CMRS providers were "local" carriers, and were billed by BellSouth using its Customer Record Information System (CRIS).
4. As a result, BellSouth paid terminating access charges to the ICOs for CMRS-originated traffic, and then used an ad hoc system to try to recover those payments from the CMRS providers.
5. In contrast to what was done with the CMRS providers, BellSouth has "Meet Point Billed" (MPB) with Competitive Local Exchange Companies (CLECs) since the passage of the 1996 Telecommunications Act, using a different billing system, the Carrier Access Billing System (CABS), which does allow BellSouth to pass industry standard billing records to other carriers participating in calls that originate and terminate on networks other than BellSouth's, but that transit BellSouth's network.
6. CMRS providers determined that they wanted to move to a MPB arrangement because that would allow the generation of industry standard bills, which the CMRS providers could use, for billing other carriers. A consequence of moving to this system is that BellSouth could now generate the same industry standard billing records that would allow ICOs

to directly bill the CMRS providers for traffic terminated for the CMRS providers.

7. BellSouth has notified the ICOs that such records would be provided, and has attempted to encourage the ICOs and the CMRS providers to enter into suitable arrangements so that this traffic, originated on one network and terminating on a different network, after transiting BellSouth's network, could be billed to the appropriate party. This effort has been underway for more than two years. This has not been successful to this point.
8. The ICOs are required to terminate CMRS traffic by the Telecommunications Act of 1996, and the CMRS providers are required to pay the ICOs for that service, and to pay BellSouth for any transit service BellSouth is not asking the ICOs to provide a free service to the CMRS providers, and in fact, the ICOs are legally entitled to collect payments from the CMRS providers for terminating their traffic.
9. BellSouth seeks assistance from the Commission in requiring the ICOs and the CMRS providers to deal with each other, and to properly compensate each other for the traffic each terminates on the network of the other. The 1996 Act requires this result, and the Commission should require it.

Pre-CMRS Meet Point Billing (MPB) Transit Traffic

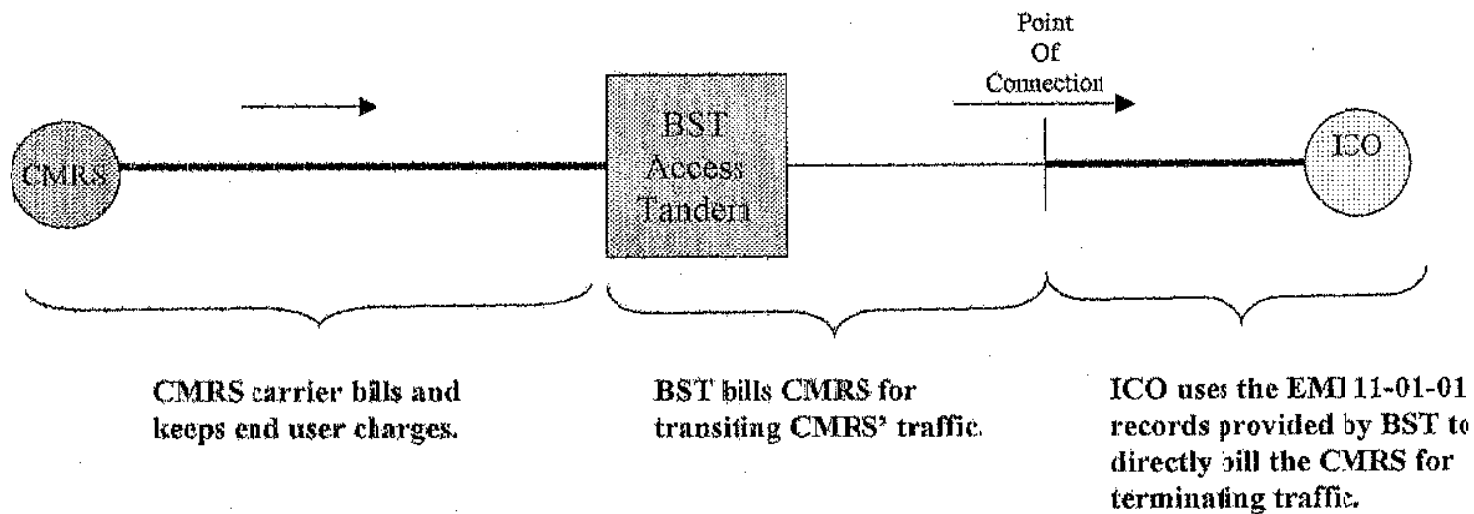
CMRS To ICO Transit Traffic



Note: Since pre-MPB CMRS originated traffic flows through the BST CRIS system, BST cannot create the EMI 11-01-01 call detail records to send to the terminating party. This is unique only to Pre-MPB CMRS originated traffic

Post-CMRS Meet Point Billing (MPB) Transit Traffic

CMRS To ICO Transit Traffic



Note: BST passes EMI 11-01-01 call detail records made at the BST Tandem Switch to the ICO so the ICO can bill the CMRS directly.